



LODI CITY COUNCIL
Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: December 11, 2007

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Randi Johl

City Clerk

Telephone: (209) 333-6702

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Informal Informational Meeting

A. Roll Call by City Clerk

B. Topic(s)

B-1 Presentation on Revisions to Vehicle Replacement Policy (CM)

C. Comments by Public on Non-Agenda Items

D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation on Revisions to Vehicle Replacement Policy

MEETING DATE: December 11, 2007

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: No action needed.

BACKGROUND INFORMATION: The City of Lodi is getting much closer to reaching its goal of financial stability. As of June 30, 2007 the unobligated unreserved general fund balance is approximately \$5 million with a target of approximately \$7 million. The focus for the last three years has been to restore the general fund to good financial condition while maintaining services at current levels. Although we've been able to keep stable service levels during the time that budgets restraints have been in place, we have not kept pace in one very important area i.e. replacement of vehicles at the end of their useful lives.

The budget policy for vehicle replacements that was adopted in 1997 indicates that a minimum fund balance will be maintained in the Vehicle Replacement Fund to allow for:

- 1) Fluctuations in expenditures for vehicle replacements and at the same time level transfers into the vehicle replacement fund from the general fund
- 2) Emergency replacements of vehicles when warranted
- 3) Annual transfers to the Vehicle Replacement Fund that are based on an annual use allowance

Although the goals that were enumerated in the 1997 policy were intended to provide a healthy and stable Vehicle Replacement Fund, the fund was not maintained at appropriate levels. Hence many vehicles have been used well beyond their economic useful life. We are now faced with having to replace many vehicles that are worn out and cost much more to replace than the cash that is available to replace them. The primary elements of the new policy will include the following:

APPROVED: _____
Blair King, City Manager

- 1) Include in departmental budgets the full cost of operating and replacing the vehicles utilized by each department.
- 2) Provide a funding mechanism that will allow for sufficient reserves so that those vehicles that have reached the end of their economic useful life are replaced when they should be.
- 3) Only that number of vehicles that is essential to support the primary services that are provided by each department will be retained.
- 4) Vehicles should not be retained any longer after they have reached a point where it is too costly to maintain them.
- 5) The Vehicle Replacement Fund will be funded at an initial level of approximately \$2.7 million, which includes a transfer of \$1 million from the general fund, as of July 1, 2008.
- 6) For every vehicle utilized by each department, an annual lease payment will be made to the Vehicle Replacement Internal Services Fund. When sufficient funding has been achieved for a vehicle, there will be no additional lease charges to the department for that vehicle. The annual lease charge for each vehicle shall be based on the original cost of the vehicle divided by the useful life of the vehicle. Interest that is earned on the cash balance in the Vehicle Replacement Fund shall be allocated to departmental accounts based on the accumulation of lease payments that will be credited to individual departmental accounts in the Vehicle Replacement Fund.
- 7) Vehicles that will be replaced with a new vehicle will be offered to all departments before they are traded in or sold at auction. Those vehicles which are acquired by departments in this fashion shall not be charged a lease payment.

The outcome of this approach will result in avoiding unpredictable large cash outlays and produce greater financial stability. A representative from MuniFinancial Services, which prepared the cost of services analysis reviewed by City Council in October 2007, will make a presentation to City Council at the meeting.

FISCAL IMPACT: Not Applicable.

James R. Krueger, Deputy City Manager